REMARKS/ARGUMENTS

Claims 1-10 and 12 are pending in this application. Claim 1 has been amended. Support for the amendment can be found at least in paragraphs [0027] and [0028]. No new matter has been added. Claims 11 and 13 were previously cancelled without prejudice or disclaimer. Applicant reserves the right to pursue the subject matter of any cancelled claims in one or more continuing applications.

In view of foregoing amendments and following remarks, Applicant requests allowance of the application.

CLAIMS 1-10 DEFINE OVER DATEY IN VIEW OF CASTELLACCI

Claims 1-10 stand rejected under 35 U.S.C. § 103(a) as being allegedly unpatentable over "The Performance of Analytical Approximations for the Computation of Asian Quanto-Basket Option Prices", written by Datey, Gauthier, and Simonato in 2003 (hereinafter "Datey") in vew of "Asian Basket Spreads and Other Exotic Averaging Options", written by Castellacci and Siclari in 2003 (hereinafter "Castellacci").

Claim 1, as amended, recites in part:

> calculating a first moment of a sum of spot values $S_i(t_i)$ of two or more underlyings of the basket;
>
> calculating a second moment of the sum of spot values $S_i(t_i)$ of two or more underlyings of the basket, wherein the first and second moments are approximate log normal distributions; and
>
> applying a Black-Scholes formalism to the first and second moments to determine the net present value of an average spot basket option,
>
> wherein said calculating the first moment includes using a first equation if the absolute value of a value calculated as a function of both a subset of the contract data and a subset of the market data is greater than a predetermined number and using a second equation if the absolute value of the value is less than or equal to the predetermined number.

Neither Datey nor Castellacci, either alone or in combination, teaches or suggests each element of amended claim 1, as required to maintain a proper rejection under § 103(a). Datey purports to teach the calculation of a first moment of a sum of spot values of two or more underlyings. However, in using only one equation for calculating the payoff at maturity of an option, Datey fails to account for variations in market and contract data that affect the value of an option,

thereby leading to an varying degrees of imprecision in its calculation. *See* Datey, p. 29, equations (1), (2), (3). Datey further discusses calculating the first four moments of the distribution of the arithmetic average of an underlying basket of options on p. 65. In each of these equations, Datey again only discloses one fixed equation for calculating each respective moment of the sum of spot values. *See* Datey, pp. 65-66, equations (24), (25), (26), (27).

By contrast, claim 1 recites the use of one of a first and a second equation for calculating the first moment of a sum of spot values. Use of the first or the second equation depends on whether a value calculated as a function of both a subset of contract data and a subset of market data is greater than a predetermined number. If the value calculated as a function of contract and market data is greater than the predetermined number, a precise calculation of the first moment can be obtained using the first equation. But if the value is less than the predetermined number, the resulting first moment calculation may not be as precise as could be obtained through the use of the second equation. Differences or variations in contract and market data thus may be accounted for when calculating the first moment of the sum of spot values. As Datey teaches the use of only a single equation to calculate the first moment, Datey does not teach or suggest each element of claim 1.

Castellacci does not remedy the deficiencies of Datey. Because Castellacci only uses a single equation to calculate the first moment of a sum of spot values (*see* Castellacci, p. 2, equations (5) and (6) and p. 3, equations (17) and (19)), Castellacci also fails to teach or suggest each element of claim 1.

For at least the reasons mentioned above, claims 1-10 are allowable, and accordingly, Applicant respectfully requests the withdrawal of the rejection of claims 1-10 under 35 U.S.C § 103(a).

CLAIM 12 DEFINES OVER DATEY IN VIEW OF CASTELLACCI AND FURTHER IN VIEW OF THE EXAMINER'S OFFICIAL NOTICE

Claim 12 stands rejected under 35 U.S.C. § 103(a) as being allegedly unpatentable over Datey in view of Castellacci and further in view of the Examiner's Office Notice. As the Examiner's Official Notice is not related to the deficiencies noted above with respect to Datey and Castellacci, claim 12 is allowable at least as an additional limitation of allowable

independent claim 1. Accordingly, Applicant respectfully requests the withdrawal of the rejection of claim 12 under 35 U.S.C. § 103(a).

CONCLUSION

All outstanding rejections have been overcome. In view of the foregoing amendments and remarks, the application is in clear condition for allowance. Issuance of a Notice of Allowance is earnestly solicited.

Although not believed necessary, the Office is hereby authorized to charge any fees required under 37 C.F.R. § 1.16 or § 1.17 or credit any overpayments to Deposit Account No. 11-0600.

The Office is invited to contact the undersigned at (408) 975-7500 to discuss any matter regarding this application.

Respectfully submitted,

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Date: January 23, 2009

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